UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/49/564
9 November 1994

ORIGINAL: ENGLISH

Forty-ninth session
Agenda item 105

REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Staff turnover and delays in recruitment (the lapse factor)" (JIU/REP/94/7).

94-44624 (E) 161194 201194

/...

ANNEX

STAFF TURNOVER AND DELAYS IN RECRUITMENT (THE LAPSE FACTOR)

Prepared by

Raul Quijano

Joint Inspection Unit

JIU/REP/94/7

/...

Contents

	Paragraph	Page
Acronyms		iii
EXECUTIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS		v
Introduction	1 - 6	1
I. BACKGROUND INFORMATION ON THE LAPSE FACTOR	7 - 15	3
II. DELAYS IN RECRUITMENT AND USE OF THE LAPSE FACTOR IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM	16 - 39	6

Annex

Excerpts from Table 11 of the report on "Budgeting in Organizations of the United Nations system" - Some comparisons (Vol. II - Comparative Tables) Prepared by S. Schumm (JIU/REP/89/9(Vol. II)). 14

Acronyms

ACABQ - Advisory Committee on Administrative and Budgetary Questions

CCAQ - Consultative Committee on Administrative Questions

UN - United Nations Organization

FAO - Food and Agriculture Organization of the United Nations

IAEA - International Atomic Energy Agency

ICAO - International Civil Aviation Organization

ILO - International Labour Organisation

IMO - International Maritime Organization

ITU - International Telecommunication Union

UNESCO - United Nations Educational, Scientific and Cultural Organization

UNIDO - United Nations Industrial Development Organization

UPU - Universal Postal Union

WHO - World Health Organization

WIPO - World Intellectual Property Organization

WMO - World Meteorological Organization

EXECUTIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Historically, the lapse factor came from a natural phenomenon arising from staff turnover and delays in recruitment. Member States realized that the delays resulted in "savings" and it gradually became in many organizations of the United Nations system a "personnel policy for savings".

For several decades, the financial situation in most organizations remained stable and that allowed for the establishment of new posts, which in turn produced vacancies and corresponding delays in recruitment. As a consequence, fixing a lapse factor percentage was not seen as too rigid a practice preventing the sound execution of programmes.

However, the world financial situation has changed in later years and some organizations were faced with financial difficulties which led them to reduce dramatically the number of their posts. Such was the case at UNESCO which had to abolish about 800 posts. The United Nations Organization is no better off and a freeze in recruitment ordered in 1985 has just been abolished by General Assembly resolution 48/228 of 23 December 1993.

While some organizations seem to have been able to cope with their existing percentage of lapse factor, in many cases it imposed artificial limitations on recruitment that not only affected the execution of important programmes, but even forced the termination of staff in order to reach the level of vacancies, thus affecting staff morale.

This problem led UNESCO to make a request to the Joint Inspection Unit to undertake an investigation on the use of the lapse factor in the organizations of the United Nations system, with a view to determining whether the principle should be continued, modified or discontinued.

The Inspector undertook a number of visits, preceded by a questionnaire to organizations of the United Nations system, with a view to analysing present practices used for the lapse factor and to determine whether such practices were adequate or needing review and revision. It was clear from his analysis, following discussions with officials in organizations, that there is no standard practice

throughout the United Nations system with regard to a lapse factor or a vacancy rate reduction and that the most notable feature is the lack of a common approach to this budgetary mechanism across the United Nations system.

From the discussions the Inspector had with a number of officials from large organizations, the following conclusions emerge:

(a) The lapse factor, which was at the beginning a formulation to reflect the fortuitous savings linked to a normal staff turnover, has developed in some organizations - and under the pressure of Member States - into a way to artificially adjust the budget and obtain savings on staff costs.

(b) The techniques employed in organizations for calculating this budgetary adjustment vary , each one having its own approach.

(c) One modality commonly used is the differentiation of the lapse factor percentage between Professional categories and General Service and related categories.

(d) given the specificities and particularities of programmes in the organizations of the United Nations system, specialists have to be recruited, sometimes rapidly. A high lapse factor is the first cause for longer delays in recruitment, thus preventing the scarce staff resources to be deployed in such a manner as to carry out satisfactorily the programmes approved by Member States;

Altogether, as underlined by some organizations, such a situation is not sane in many aspects and needs to be reviewed keeping in mind all the specificities of the organizations. In the view of the Inspector, the use of a lapse factor as a budgetary technique is useful and may be considered as a "safety belt" in the management of staff costs. However, it should not be utilized only as a way to save on staff costs and at the detriment of the execution of programmes.

The set of recommendations proposed by the Inspector in his report aims at enabling policy-makers to review the capacity for organizations to work with a given lapse factor, reflecting on the most important aspect of the work of many organizations: the execution of their programmes quality-quantity and financially-wise.

Recommendation 1

In the interest of harmonizing budgeting methods, techniques and presentation, the organizations should employ a common and clear terminology and definition of the lapse factor. There should be clear understanding of the use and definition of that technique, in order to come closer to a commonly accepted practice, but keeping in mind the difficulties faced in each individual organization.

Recommendation 2

The long-applied practice of the lapse factor should be maintained as a useful instrument to reflect a natural phenomenon, producing fortuitous savings as a result of varying recruitment practices and constraints: however, it should not be forced as a mandatory adjustment to compel delay in filling of budgeted posts to the detriment of the programme.

Recommendation 3

Member States should agree that this matter requires flexibility in its implementation in order to allow for realistic savings without affecting the execution of programmes, keeping in mind changing circumstances and the difficulties faced in each individual organization.

Recommendation 4

UNESCO, which has experienced serious difficulties in this area, may follow the practice now being used in most of the large organizations, namely to have a different lapse factor percentage applied to professional and higher posts to that of General service posts, in order to achieve more flexibility.

Introduction

1. When dealing with the question of the lapse factor, the Inspector was confronted with different terms used in budgets and documents of the organizations: 1) lapse factor, 2) delays in recruitment, 3) vacancy factor, 4) staff turnover. It was found out that in some organizations these terms are not used according to a standard definition. At the United Nations, the term "delayed recruitment factors" is used in documents; UNEP indicated "adjustment for staff turnover and delays", while the ACABQ in a General Assembly document deals with the "vacancy factor". The ILO indicates "adjustment for staff turnover (lapse factor)". These different approaches are reflected in the definitions used in official documents, such as:

> **CCAQ** - *"Adjustment for staff turnover and delays. Factors (plus or minus) applied to the budget estimates for staff, to take account of expected staff turnover and expected delays in filling posts."*
> *(CCAQ Glossary, ACC/1983/FB/1, page 3)*

> **FAO** - *"The lapse factor is the reduction made in the budgetary provisions for established posts (salaries and common staff costs for Professional and General Service posts) to take into account the effects of turnover, separations and delays in recruitment, including those for newly established posts."*
> *(Doc. FC 72/4, September 1991)*

> **UNESCO** - *"Adjustment for staff turnover and recruitment delays which constitutes the so-called 'lapse factor' is, in fact, a global reduction of the staff costs budget to take into account anticipated savings arising as a consequence of delays in establishing and filling posts which are new or have fallen vacant.*
> *(Executive Board, Doc. 135 EX/5, Part III, 1990)*

2. The various terms used and their different applications in preparing the budgets speak in favour of an harmonization in budgeting methods, techniques and presentation and in a clear common terminology. As a result, the lapse factor rates employed by organizations for budgeting purposes, while not necessarily uniform, would be more comparable, allowing for a better assessment of actual budgetary implications and relativities in staff turnover between organizations.

3. In his contacts with officials in organizations of the United Nations system, the Inspector observed variations not only in terms of the actual rates involved but also as to the segment of the staff establishment to which the rates are applied. As an example, it is considered that the delay for recruiting staff in the Professional category averages 9 months in some organizations, but in the case of general Service staff this delay is largely reduced to nil because of a considerably shorter process involved and the necessary recourse to temporary and supernumerary assistance during the period of vacancy. The different practices appear often to be justified on the grounds of the individual circumstances of each organization.

4. At present it is manifest that the mandatory adjustment for staff turnover and delays in recruitment is being used by Member States more and more as an instrument of budget policy in order to control the overall level of the budget rather than for what it is - and should be - namely a natural phenomenon resulting from varying recruitment practices and constraints.

5. The report will attempt to show how the different techniques are used in the organizations, the constraints felt by the budget departments as well as by personnel and programme departments. It is the first report on this specific subject being undertaken by the Joint Inspection Unit, even though budget presentation and techniques have been the object of previous reports.

6. The Inspector records his appreciation for the fruitful co-operation given to him during his investigation, and the readiness of all concerned in organizations of the United Nations system to share experiences and expertise on the subject matter.

PART I. BACKGROUND INFORMATION ON THE LAPSE FACTOR

7. When the Inspector undertook his investigation on the subject proposed, he was confronted with very little background information and with no common terminology used in budget techniques in organizations of the United Nations system.

8. A JIU report issued in 1989, "Budgeting in organizations of the United Nations system - Some comparisons, (JIU/REP/89/9, vol.II - Comparative tables), included in its survey on staff costs (Table 11), the question of adjustment for staff turnover and delays (lapse factor)*. The organizations which had participated in the study had replied to that particular question in a questionnaire. The Inspector in charge of the study had analysed the replies and stated "...Given that the recruitment procedure takes a long time when posts become vacant or new posts are created, the provision of full appropriations is not required. Therefore, a reduction is made in the budget. Many organizations (United Nations, FAO, IAEA, ICAO, ILO, ITU, IMO, UNESCO, UNIDO and WHO) provide for this factor by deducting any percentage from the total estimates for staff costs. IAEA indicates that they use percentage guidelines for lapsing posts only in addition to an analysis of the staffing situation. Lapse factor is more appropriate where 'posts' are budgeted for than in the cases where other measures (i.e. work/years, man/months, etc.) are used as bases for budgeting. Some organizations (UPU, WIPO and WMO) do not provide lapse factor as such."

9. An up-to-date table providing accurate information on the use of the lapse factor in organizations of the United Nations system which participated in the present study is shown in Part II. (pages 7 and 8). Since the study of 1989, the world situation has changed and organizations are faced with acute financial difficulties which forced many of them to resort to a cut in the number of staff (i.e, ILO, UNESCO). At the United Nations, a recruitment freeze had been in effect since February 1985, and this had placed a strain on existing staff resources. But this freeze has recently been abolished, as mentioned earlier.

---

* See the Annex, page 14

10. In 1991, the Consultative Committee on Administrative Questions of the Administrative Committee on Co-ordination included on its Agenda of the Seventy-fifth session an item on budgeting methods which examined the question of adjustments for staff turnover and delays in recruitment. In its report of 13 September 1992 (ACC/1991/18), it stated that the "Committee devoted substantial time during its session discussing questions of current concern in the area of budgeting methods", but came out with a very modest conclusion as regards adjustments for staff turnover and delays in recruitment (lapse factor) stating that "... these adjustments had become a matter of current interest in the context of efforts to contain budget growth..", and that the Committee confirmed "... that organizations' practices in respect of such adjustments varied, depending on their individual circumstances".

11. The variations observed from one organization to another are significant not only in terms of the actual rates involved but also as to the segment of the staff establishment to which the rates are applied. The different practices appear often to be justified on the grounds of the individual circumstances of each organization.

12. The lapse factor, although by definition related to savings arising from vacant established posts, is not and cannot be equal to the vacancy rate. It is accepted, and in fact, required that programme managers take action, as necessary, to protect the programmes from the impact of vacancies. This can be achieved in a number of ways: the hiring of short-term staff against temporary posts; the use of consultants; the letting of contracts to institutions. All of these actions are aimed at carrying out all or some part of the work originally planned to be carried out by the staff members of the vacant posts and are funded from the savings arising as a result of the relevant vacancies. However, use of temporary staff should be carefully examined vis-à-vis the lapse factor, because in many organizations it is not the ready answer for some vacant posts with specific expertise and knowledge.

13. It should be noted that the factors which cause a vacancy will impact upon the savings that are likely to accrue, for example, in the case of a vacancy arising from mandatory retirement which is easily forecast and can be planned in advance. Such a vacancy is unlikely to produce savings. On the other hand, an unanticipated threatened decline in pension fund conditions can bring early retirements for which it is not possible to make adequate plans.

14. Experience by unit in organizations varies considerably in that the rate of vacancies may be different from one to the other. This means that some units have no practical difficulty absorbing the required level of savings whereas others are obliged to either delay the filling of the few vacancies they have or, in the worst cases, to make up the savings by reducing programme activities.

15. When the lapse factor deduction is applied at the level of each programme unit, small units are particularly affected by variations in vacancies. If a unit has only 10 posts and none are vacant, the lapse factor can be a serious burden on the non-staff cost budget. Conversely, a single vacancy represents 10 percent over a year and might make such a unit relatively resource rich over that period. Flexibility in the management of these allotments is essential and is applied in an understanding manner whenever necessary.

PART II. DELAYS IN RECRUITMENT AND USE OF THE LAPSE FACTOR IN ORGANIZATIONS OF THE UNITED NATIONS SYSTEM

16. As shown from the replies to the questionnaire sent by the Inspector to Organizations (pages 7 and 8), several of them indicated that the use of the lapse factor did not imply major problems. However, among the larger organizations at least three of them described the difficulties encountered with this budget technique, among them the rigidity of its application.

A. The case of FAO

17. It should be noted, in the case of FAO, that their lapse factor has been changed from 5.5 percent to 3 percent by the Twenty-fifth Session of the FAO Conference in 1989. Some delegations, however, emphasized their reservations on the use of the new rate, which they considered unrealistically low in relation to actual vacancy rates. It was also stressed that "the lapse deduction should not be an impediment to the execution of approved programmes".

History of the lapse factor at FAO

18. The lapse factor was originally set at 0.1 percent in 1955, rose to 2.5 percent in 1956, to 4.5 percent in 1960 and then to 5.5 percent in 1964. It was then reduced to 3 percent and has been at that level since then. It is of the essence that the original increases in the lapse factor occurred as a direct consequence of the simultaneous and very substantial increases in the number of established posts. The average annual increase during the period over which the lapse factor was increased (i.e. from 1958-59 biennium to 1964-65) was 17.1 percent.

19. The significance of such proportionally large numbers of new posts should be recognized. If, for example, there is a 15 percent increase in new posts and the filling of each post is delayed on average by six months, then this results in an automatic saving equivalent to a lapse factor of 3.3 percent even before allowing for only lapse due to staff turnover.

Comparative Table 1/2

Organizations	Lapse factor %		Comments
	P	GS	
UN	6	0.5	As recommended by ACABQ in the 1994-1995 budget. In addition, delayed recruitment factors are the following: Professional posts and above, 50 percent; General services and related categories, 35 percent.
UNCHS (Habitat)	5		Lapse factor has resulted in saving of approximately 5 percent of the total posts-related costs. In 1994-1995 this may not be sufficient.
UNEP	5	0.5	For the PPSC budget, use the same factors as provided by UNHQ: 5 percent for continuing professional posts and 0.5 percent for continuing GS posts. A turnover factor of 10 percent is used for all professional and higher posts, which effectively meant that 10 percent of PPSC posts would remain vacant in 1994-1995.
UNICEF	-		Unit of work measurement is done by posts with a 6 percent lapse factor.
FAO	3		The lapse factor rate was changed from 5.5 percent to 3 percent by the Twenty-fifth Session of the FAO Conference in November 1989.
IAEA	-		No lapse factor as such. Do not use standard costs for posts. Budget for each post the cost of the actual incumbent, if applicable. Unit of work measurement: person years or person days.
ICAO	12	6	The percentage deduction is made from the total appropriation.
ILO	1.2		Indicated that the figures in the JIU report are still valid. The 1994-1995 budget maintained the 1.2 percent of total staff costs.
ITU	2		"Global cuts" of about 2 percent applied to total staff expenditure, in the budget without specific reference to the posts concerned.

Comparative Table 2/2

Organizations	Lapse factor %		Comments
	P	GS	
WFP	3		The lapse factor used throughout the budget for all existing positions is 3 percent. In addition standard cost provision for 1994 for new posts were reduced by 40 percent by phasing in the establishment of new posts.
WHO	-		No lapse as such. An analysis of vacant post is made and on that basis a lapse factor is incorporated in the budget average (which is therefore established for less than 24 effective months).
WIPO	-		No lapse factor because of very low turnover. Vacancies, particularly at GS level, are covered by short-term staff.
UNIDO	7	0	The budget base includes a provision for a vacancy factor (or deduction for delayed recruitment) of 7 percent for all existing posts at the Professional and director level, and in the case of General Service and other categories to zero percent. The overall lapse factor at the total organization level is kept constantly monitored within the available financial resources, as a way to adjust the budget and obtain not "savings" but resource reduction on staff costs.
UNESCO	5		5 percent recommended by the General Conference at its 27th session in 1993 for the 1994-1995 budget.

20. The decline in growth rates occurred before the reduction in the rate to 3 percent. However, the average growth rate up until the early eighties was 8.1 percent; that is an average of approximately 170 new posts each biennium all contributing to "lapse" savings. It is only in the last biennia that this rate of growth has declined to what is, in effect, negative growth as of 1992-93. The negative growth in 1988-89 was the most severe faced by the Organization, with a reduction of 244 posts. During that biennium the fact that the lapse factor was more than could be achieved without damage to their programme became undeniable. This phenomenon coincided with the onset of the financial crisis and it was the combination of these pressures which made the reduction from 5 to 3 percent necessary in 1990-91. As an additional element of FAO's special interest, the Organization recently requested its External Auditor to carry out a study on this subject.

B. The case of ILO

21. The International Labour Organisation introduced a formal lapse factor in 1967, when the structure of the ILO budget was changed from one which presented the principal types of expenditure which would be incurred for the execution of the programmes of work, to one based on the programmes of work themselves and the resources required to complete them, i.e. programme budgeting. The lapse factor for that year was 1.45 percent applying to all staff costs.

22. Earlier on, in 1957, it had been suggested that a lapse factor of between 2 and 5 percent should be introduced, reflecting savings associated with the separation of serving staff combined with the delayed recruitment of new staff. It was felt, however, that the introduction of a lapse factor into the budget would lead to financial uncertainty and rigidity and would have harmful effects on the smooth working of the Organisation. Therefore, in 1957, and as well in 1966, a lapse factor calculated as a fixed percentage of staff costs was not considered suitable. Instead, specific amounts, which represented savings due to delays of two to six months in recruitment for new posts, were deducted from budgeted staff costs.

23. This lapse factor rate was retained for 1968 and 1969 and, with the introduction of biennial budgeting in 1970, the lapse factor for 1970-71 was reduced to 0.725 percent, and remained unchanged for 1972-73 and 1974-75. For 1976-77, the rate was increased to 1.085 percent; for 1978-79 to 1982-83 it was lowered to 0.5 percent, and from 1984-85 to 1990-91 lapse factor deductions have been an arbitrary dollar amount representing some 0.6 to 0.8 percent of total staff costs, as well as for 1992-93 with a lapse factor of 1.2 percent.

24. Although it is difficult to draw a direct comparison, most other United Nations agencies, unlike the ILO, do not show an identifiable lapse factor deduction in their budgets (see the Annex as compared to the Table shown on pages 7 and 8). Moreover, whereas the ILO provides for a lapse factor for all types of staff costs including Professional and Headquarters General Service staff, overtime, short-term conference staff, and local field staff, the United Nations provision is limited to Professional posts and to new General Service posts only and the WHO provision covers only Professional posts.

25. Perhaps what is interesting and the most significant difference between the ILO's approach to budgeting and that of other large organizations is, that while other organizations budget for specific posts - which inevitably leads to savings because of recruitment delays and requires correction by a lapse factor - the ILO takes a programme-oriented approach and budgets for work items and sub-programmes in terms of work-years and work-months needed to implement them.

26. In the ILO's opinion, this approach results in greater flexibility and, although it limits the opportunity to make savings under the lapse factor, this is more than compensated for by the fact that the initial level of budgetary estimates for staff costs is reduced to reflect the actual resources required to carry out the work. The JIU report mentioned earlier* recognized this important distinction by stating that "Lapse factor is more appropriate where 'posts' are budgeted for than the cases where other measures - i.e. work/years, man/months, etc. - are used as bases for budgeting".

---

* Budgeting in Organizations of the United Nations system, para. 106, JIU/REP/89/9 (Vol. 1).

C. The case of UNESCO

27. UNESCO is one organization which has been confronted - and still is - with severe financial problems, which resulted in not only a freeze in recruitment, but in the cancellation of 800 posts in 1986-1987. At that time the lapse factor was 5 per cent and the Director-General requested the governing organs to reduce it to 3 per cent. In 1988-1989 the Director-General was obliged to terminate staff to reach the 5 percent level of staff turnover. The 1992-1993 biennium was very hard on the Organization - US $33 million had to be put aside for cash flow savings, meaning that posts had to be cut and expenses related to staff costs.

28. For the 1994-1995 biennium, a lapse factor of 5 per cent has again been applied to the budget: a deduction of 5 per cent applied across-the-board on the totality of the staff costs budget, without distinction as to Professional or General Service categories, base salary, post adjustment or other common staff costs.

29. A Working Group was set up in 1993 to study the reduction of staff costs and to follow up on the application of the lapse factor. It is composed of heads of Budget, Personnel, Inspectorate General and Programmes. Every request for staff expenses or posts has to be channelled through this Group for examination. Then, the proposals are sent to the Director-General for his final decision.

30. In the Director-General's introduction to the Draft Programme and Budget for 1994-1995, it was stressed that "under the present circumstances and bearing in mind the considerable efforts made to streamline and reduce the staff establishment, the 5 percent lapse reduction is unrealistic and will lead to the discontinuity of staff services for programme implementation. However, in order to comply with the Executive Board's decision, I have established the staff costs budget with a 5 percent lapse reduction".

31. Another aspect which was discussed with the Inspector was the differentiation made in many organizations, i.e. the United Nations, in the lapse factor for Professional posts and General Service posts. In UNESCO 5 per cent lapse factor is applied on all posts - Professional and General Service - whereas the delay in the filling of General Service posts is considerably shorter than in the case of Professional posts.

32. What decision-makers at UNESCO deplore is the great rigidity imposed by the strict application of a high lapse factor; its effects on the use of personnel resources and the direct impact it has on the execution of programmes - some valuable and urgent activities are either delayed or cannot even take place.

33. All this led the 27th Session of the General Conference of UNESCO to request the Executive Board to "re-examine the technique of the 5 percent adjustment for staff turnover and recruitment delays (lapse factor) within the context of the Director General's preliminary budget estimates for 1996-1997 (28 C/5) with a view to applying a more realistic adjustment factor commensurate with the Organization's needs" (27 C/Decision 37). In turn, UNESCO made a request to the Joint Inspection Unit to undertake the present study.

The IAEA experience

34. The IAEA does not apply a "lapse factor". Assumptions are made on an individual basis by division directors (programme managers).

35. The IAEA has, on numerous occasions, reviewed its recruitment processes and established a standard procedure which is built around an eight month recruitment period. This period cannot be reduced further because it is based on certain requirements beyond the control of the Organization. Delaying recruitments is an effective and probably the only means that departments in IAEA have in making savings under a reduced financial plan. Consequently, used in a proper manner the extension of the recruitment process may be in the interest of the Agency.

36. In the past, for new posts a delay of several months was assumed, but at present there are hardly any new posts. If new posts are approved in the budget, they are to accommodate already existing temporary assistance - and therefore no lapse and lag is applicable.

37. The staffing indicated in the budget generally refers to authorized posts, irrespective of assumed recruitment delays with the exception of the Department of Safeguards, where lapse and lag is deducted and only the net, filled posts are estimated and their numbers included in projects and subprogrammes.

Conclusion

38. It is the Inspector's view, after having considered all information received from organizations of the United Nations system, and the three major examples mentioned above, that there is a justified concern related to an inappropriately high lapse factor as it may diminish an organization's capacity to deliver an approved programme. It should not be forgotten, furthermore, that during the course of most biennia, additional unbudgeted costs arise which have to be absorbed. These mainly result from increases in staff costs following ICSC or General Assembly decisions which are deliberately not provided for in the programme and budget until the decisions have actually been taken. Such element of under-budgeting for staff costs already exists. These additional costs have to be covered mainly by additional delays, postponements and slowing down of recruitment - not forgetting the already existing freeze in some organizations. The actual lapse factor savings imposed are therefore greater than the deduction made in the budget. A lapse factor set at too high a level would severely reduce the capacity to absorb unbudgeted additional staff costs, thus making it necessary to provide separately for these unbudgeted costs in the programme and budget.

39. The Inspector is of the opinion that in the interest of harmonizing budgeting methods, techniques and presentation, the organizations should use a common terminology and agree on a set of definitions concerning those elements comprising or contributing to staff turnover as well as a uniform standard for reporting on staff turnover to governing organs. As a result, the lapse factor rates utilized by organizations for budgeting purposes, while not necessarily uniform, would be more comparable, allowing for a better assessment of actual budgetary implications and relativities in staff turnover between organizations.

Annex

Excerpts from Table 11 of the report on "Budgeting in Organizations of the United Nations System" Some Comparisons (Vol. II - Comparative Tables) Prepared by S. Schumm (JIU/REP/89/9(Vol. II))

ORG	ADJUSTMENT FOR STAFF TURNOVER AND DELAYS (LAPSE FACTOR)
UN	For 1986-87, 5% of staff costs for existing posts in the P and higher grades was provided to deal with staff turnover. On the recommendation of ACABQ, different turnover factors may be used in selected sections to take account of experience. In the case of GS category, it was 0 per cent for 1988-89. These percentages have been replaced by 12.5% and 7.5% respectively.
FAO	The lapse factor used throughout the budget for all existing positions is 5.5%. The same lapse factor is also applied to all new positions.
IAEA	Deductions are made in respect of salaries for vacant posts. New posts are in general lapsed for 3 months or more. Approximately 3% of staff cost for turnover.
ICAO	A percentage deduction is made from the total appropriation for P and GS category costs.
ILO	Arbitrary adjustment for staff turnover is taken as a deduction from total estimates for the staff costs.
IMO	An amount of money is fixed by the Board during consideration of the budget proposals; it is a portion of the global salary appropriations.
ITU	No staff turnover. No extra staff. Economy is made by lapse factor.
UNESCO	A lapse factor of 5% was approved by the General Conference for 1988-89 although the DG had proposed a rate of 3% on the basis of 1986-87 experience. Any additional costs due to a lower rate of staff turnover than 5% should be absorbed within limits of the overall budget.
UNIDO	Provision made for a 5% turnover for all existing posts in the P and higher categories. All new posts are subject to higher turnover: 50% for P and higher categories, 35% for GS and other categories.
UPU	No turnover. Lapse factor is very short, 2-3 months (negligible).
WHO	No lapse factor as such. An analysis of vacant posts is made and a lapse factor incorporated with the budget averages.
WIPO	No lapse factor because of very low turnover. Vacancies, particularly at GS level, are covered by short-term staff.
WMO	Average of vacancies is very low. No lapse factor is used. No new posts established in the last 12 years.